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International trade and development

Report of the Secretary-General*

Summary

The present report reviews recent trends in international trade, which indicates considerable diversity in trade performance across regions and countries. At the same time, trade in services emerges as a growth sector. Of particular concern to developing countries, the price index of primary commodities of export interest to developing countries continued its overall downward trend. The important development in the multilateral trading system was the Fifth Ministerial Conference of the World Trade Organization, held at Cancún, Mexico to take stock of progress under the Doha work programme and provide new directions. Two years of intense post-Doha negotiations have advanced the work programme mainly on the TRIPS Agreement and public health, the accession of Cambodia and Nepal, adoption of guidelines on accession of least developed countries and modalities on special treatment for them in the negotiations on trade in services. Deliberations at the Cancún Ministerial Conference were unsuccessful in building consensus on other key issues, such as agriculture, non-agricultural market access, special and differential treatment, implementation-related issues and Singapore issues. Ministers agreed to continue working on the outstanding issues with a view to convening a meeting no later than 15 December 2003 to take the action necessary at that stage to enable members to move towards a successful and timely conclusion of the negotiations. Efforts are now being made to resume the negotiations. The report also outlines a set of "benchmarks for development" against which progress in mainstreaming development into the World Trade Organization can be assessed. The process towards the ninth session of UNCTAD could contribute positively to balanced progress in the Doha work programme and could reinvigorate the multilateral trading system.

* The present report was submitted on this date in order to take into account the Fifth Ministerial Conference of the World Trade Organization.

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I. Introduction

1. The present report was prepared pursuant to General Assembly resolution 57/235, in which the Assembly requested the Secretary-General, in collaboration with the secretariat of the United Nations Conference on Trade and Development (UNCTAD), to report to the Assembly at its fifty-eighth session on developments in the multilateral trading system, as well as on other issues raised in that resolution. Other UNCTAD reports provide additional information.[1]

II. Recent trends in trade[2]

2. There has been considerable diversity in trade performance across regions, particularly since the downturn of the world economy in 2001. Between 1990 and 2001, South-South trade grew faster than world trade, with the share of intra-developing country trade in world merchandise exports rising from 6.5 to 10.5 per cent, much of which is related to Asia.[3] United States of America exports fell for two successive years, partly owing to the appreciation of the dollar and partly to stagnation or recession in its main industrialized trading partners and in Latin America. However, United States imports rose by nearly 4 per cent in 2002, after declining by some 3 per cent the previous year. Given that the United States is the largest importing economy, accounting for one fifth of world merchandise imports, this was the most important factor for trade recovery in 2002. Export and import volumes have been sluggish in the European Union in the past two years, in view of slow growth in this region where intraregional trade accounts for two thirds of the foreign trade of European Union member countries. In 2002, Japan's imports rose by 1.6 per cent after falling the previous year, while its exports recovered sharply from their decline in 2001 to reach the level attained in 2000.

3. In Asia, several countries such as Malaysia, the Philippines and Thailand saw their export volumes fall sharply in 2001 because of reduced demand for information technology products. On the other hand, countries with a more diversified export structure such as China, India and the Republic of Korea, resisted that trend. East and South Asia became the growth centres of world trade in 2002. These subregions benefited from strong output growth and a worldwide recovery of the information technology sector, as well as from growth in regional trade. In China, the growth rate of exports tripled in 2002, matched by the growth of its imports and its absorption of large amounts of imports from the developing economies of the region. China has been gradually assuming the role of the United States as the growth engine in Asia. Apart from India and China, the other developing countries of the region registered growth in export and import volumes of about 5 per cent and maintained comfortable trade balances.

4. In Latin America, the economic situation deteriorated rapidly in 2002, when the region experienced one of its worst years since the debt crisis. In combination with declining capital inflows and foreign exchange reserves, imports fell sharply, by more than 8 per cent for the region as a whole. Exports from the region he' l up slightly. In Africa, the volume of both imports and exports rose by 2.6 per cent despite weak demand from Western Europe, Africa's main trading partner. The region as a whole experienced a deterioration in its terms of trade for a second consecutive year, with import growth significantly exceeding export growth in value terms. The terms of trade of sub-Saharan Africa recovered moderately in 2002, but

they could not make up for the losses of the previous year. Imports expanded faster than exports in both volume and value terms.

5. The transition economies escaped the downturn in world trade in 2001, achieving strong growth in exports and imports. In 2002, both export and import growth decelerated, but still exceeded the world averages by a wide margin. Most of the countries belonging to the Commonwealth of Independent States (CIS), notably the Russian Federation, saw increased export earnings in 2002.

6. Trade in services emerges as a growth sector with exports and imports each accounting for around 20 per cent of the total exports and imports of trade in goods and services. In terms of value, the total exports and imports of services for the year 2001 was around $3 trillion, with member countries of the Organisation for Economic Cooperation and Development (OECD) accounting for over three fourths of global trade in services. Developing countries remain net importers of services. In 2001, officially recorded remittances stood at over $60 billion.[4] The total amount of remittances may, however, be twice or three times higher, taking into account informal transfers.

7. The price index of primary commodities of export interest to developing countries continued its overall downward trend. In 2002, prices declined for many commodities, mainly as a consequence of the weakness in world economic activity. Annual average non-oil commodity prices fell by 2 per cent, with considerable variations across different commodity groups. The renewed slowdown of growth in the major developed countries resulted in faltering demand for most commodities and falling prices. Crude oil prices stabilized in 2002 after dropping sharply the previous year.

III. Developments in the multilateral trading system

A. Overview

8. The Fifth Ministerial Conference of the World Trade Organization (WTO) was held at Cancún from 10 to 14 September 2003. It was expected that Ministers at the Conference would not only engage in stocktaking, but would also ensure that political impetus was given to advancing negotiations on key aspects of the Doha work programme adopted at the Fourth Ministerial Conference of WTO, held in Doha from 9 to 14 November 2001. There were further expectations that results of the Conference could build greater confidence for the future of the trading system and provide a fresh impetus to the world economy and global trade.

9. Despite intensive negotiations in the two years following the Doha Conference, progress in advancing the work programme encountered a number of limitations. WTO members were unable to reach agreement on a number of issues of priority concern to developing countries. Negotiating deadlines on these were not met, and developing countries found it difficult to make compromises in stalled negotiations on agricultural and non-agricultural products, and on Singapore issues. These views emerged from preparatory and Ministerial meetings,[5] including those of developing countries and their country groups. Those meetings of developing countries facilitated convergence of their views, understanding of the issues at stake,

and strengthened their negotiating positions and their capacity to participate effectively at Cancún.

10. Efforts by the General Council of WTO to prepare and agree upon a draft Cancún ministerial text proved difficult. Of the Doha work programme items covered, agriculture, non-agricultural market access and the Singapore issues showed wide divergences. Following protracted deliberations and a flurry of new proposals by both developed and developing countries, particularly the European Community-United States and the Group of 22 developing countries,[6] respective joint proposals on agriculture and the European Community-Canada-United States proposal on non-agricultural market access, the Chairman of the General Council issued a draft Cancún ministerial text (CMT Rev.1) on 24 August 2003 and, acting on his own responsibility, submitted this text to ministers in Cancún, on the understanding that it did not purport to be agreed in any part or as a whole and was being submitted without prejudice to the position of members.

11. On the eve of the Cancún Conference, WTO members reached agreements on some issues, the most important being the decision on trade-related aspects of intellectual property rights (TRIPS) and public health, on 30 August 2003. The decision was a step forward in efforts to ensure that countries with insufficient or no manufacturing capacities in the pharmaceutical sector have access to medicines at an affordable cost. While welcoming the decision, many developing countries also reiterated the need for expeditiously amending the Agreement on Trade-Related Aspects of Intellectual Property Rights[7] (TRIPS Agreement) to ensure that the solution was simple to use, sustainable, predictable and legally secure. Another step forward was the conclusion of the accession process of Nepal and Cambodia (with the decision on their accession taken by the Cancún Conference). In addition, modalities for special treatment of least developed countries in services negotiations were adopted and added to the decision on guidelines on accession for least developed countries adopted in December 2002.

12. Deliberations during the Conference were unsuccessful in building consensus on the other key Doha work programme issues, such as agriculture, non-agricultural market access, special and differential treatment, implementation-related issues and Singapore issues. A revised draft Cancún ministerial text (CMT Rev.2) was submitted on 13 September 2003, on the basis of which WTO members continued consultations. Developing countries generally considered that the revised draft did not sufficiently reflect their interests and concerns. There has been much introspection about why the Conference could not make the desired breakthroughs in a number of major issues of the Doha work programme negotiations and what implications this has for the future of the multilateral trading system and WTO. The following factors may be relevant: (a) complexity and diversity of the Doha work programme on South-South, North-North, North-South, regional, subregional and individual country bases; (b) difficulty in meeting the three criteria mentioned by the Chairman of the General Council for determining the acceptability of any compromise package, namely (i) respecting the ambition of the Doha mandate, (ii) respecting the development dimension and (iii) seeking overall balance in the outcome of the negotiations; (c) arrival of the moment for decisions with regard to detailed and specific policy commitments at Cancún, for which concerned members did not seem ready; (d) difficulty in finding a balance between the package tabled and the expectations and demands of the 146 WTO member States; (e) against the background of expectations on development deliverables in areas of core interest to

developing countries, especially agriculture, many developing countries were not prepared to accept commitments in other areas; (f) emergence of a number of issue-based alliances and coalitions among developing countries (the Group of 22 on agriculture, the Group of 33 on special products and special safeguard measures and the "Grand Alliance" of the African Union, the African, Caribbean and Pacific Group and least developed countries) was a factor in the negotiations, signalling that their concerns had to be taken on board for a successful outcome; (g) the role and activism of civil society, parliamentarians and media, both in the North and South, added a new dimension to the course of multilateral negotiations, both process-related and substantive; (h) problems in Cancún related to the difficulty in establishing mutually agreeable linkages and balances within and among the key issues of negotiations involving considerations of pain and gain in the short and medium term, sequencing, level of ambition, time line issues and pay-out and recompense; and (i) many process-related obstacles, including on timing and maturity of issues for resolution arose.

13. In the ministerial statement issued by the Chairman at the closure of the Conference, he stated "We have, indeed, made considerable progress. However, more work needs to be done in some key areas". Officials were instructed to continue working on outstanding issues with a renewed sense of urgency. The Chairman of the General Council was requested to coordinate this process and to convene a meeting of the General Council at the senior officials level no later than 15 December 2003 to take the action necessary at that stage to enable ministers to move towards a successful and timely conclusion of the negotiations. In that new phase, where ministers have reached convergence, the work should be maintained, while working for an acceptable overall outcome.

14. While the ministerial statement is reassuring with regard to the continuity of the process and members' commitment to the Doha Declaration and its mandate, questions have been raised about the Conference's implications for the multilateral trading system, the Doha work programme and WTO reform. There is concern that there would be difficulties in evolving an open, equitable, rule-based and predictable multilateral trading system that is sensitive to the trade, financial and development needs of developing countries. Many expressed the concern that the stalemate could lead to a more vigorous pursuit of bilateral and regional trade agreements, the numbers of which (over 200) have grown rapidly during the 1990s, on a South-South, North-North and North-South basis. The cause of trade liberalization could be affected and protectionist sentiments could gain ground. The galvanizing of developing countries into issue-based coalitions has led to conclusions about their latent empowerment, and also to concerns about North-South polarization. One of the views expressed is that the multilateral trading system needs to be manageable and to limit itself to trade liberalization.

B. Issues-related developments

Implementation-related issues and concerns

15. Issues related to the implementation of the results of the Uruguay Round[8] have been a concern of developing countries since 1995 and are a key factor in the attempts to address development issues in the Doha work programme. Implementation issues were divided into two categories, namely: (a) where there

was a specific negotiating mandate in the Doha Ministerial Declaration,[9] the relevant issues should be addressed under that mandate; and (b) the other outstanding implementation issues should be addressed as a matter of priority by the relevant WTO bodies, which should report to the Trade Negotiations Committee by the end of 2002 for appropriate action.

16. Of the approximately 100 issues proposed by developing countries, some 40 were the subject of immediate action via direct reference in the Decision on Implementation-related Issues and Concerns of 14 November 2001 adopted at Doha,[10] while the majority of the remaining issues were subject to negotiations pursuant to paragraph 13 of the Decision and paragraph 12 of the Doha Ministerial Declaration. However, developing countries consider that most of the Decision's "resolved" issues have been addressed through "best endeavour" clauses and the deliverables of the Decision relate mostly to extended time frames and simplified administrative procedures for implementation by developing countries of commitments.

17. Some of the main outstanding implementation issues under negotiation include: simplifying rules of origin and expanding import quotas for textiles; expanding the scope of non-actionable subsidies, and allowing use of trade-related investment measures covered by the Agreement on Trade-Related Investment Measures (TRIMs Agreement), for example, by extending the transition period for developing countries; reducing developed countries' application of anti-dumping measures on imports from developing countries; increasing market access in specific goods for which developing countries have a substantial export interest; facilitating developing countries' management of balance-of-payment difficulties; assisting developing countries to comply with product standards; and improvements in and clarification of the Dispute Settlement Understanding, which many developing countries experience difficulties in using effectively. An increasing concern has been the high resource costs associated with implementation of an increasingly wide set of WTO agreements, which can frustrate the development aspirations of developing countries, particularly the smaller and poorer among them, for whom rising costs threaten to outweigh benefits and crowd out scarce development financing and development priorities. The deadline for achieving results by the end of 2002 was missed. As noted earlier, developing countries have emphasized implementation issues as a negotiating priority that need to be addressed, including by the establishment of a dedicated negotiating group on the subject.

Special and differential treatment

18. Special and differential treatment is an established principle in WTO to accommodate developing countries' needs and limited capacities within the multilateral trading system. However, an array of WTO agreements, such as TRIPS and TRIMs, have extended the influence of WTO from traditional border measures to "behind-the-border" measures, which increasingly points to the need for special and differential treatment and development policy flexibility. The Doha Ministerial Declaration reaffirmed that "provisions for special and differential treatment are an integral part of the WTO Agreements", and mandates the Committee on Trade and Development to perform a review of "all special and differential treatment provisions ... with a view to strengthening them and making them more precise, effective and operational". Under the Doha work programme, the Committee was to consider the legal and practical implications for WTO members of converting

special and differential treatment measures into mandatory provisions, to identify those that members consider should be made mandatory and to report its results to the General Council with clear recommendations by July 2002. In addition, the Committee was to consider how special and differential treatment may be incorporated into the architecture of WTO rules.

19. A comprehensive set of 88 agreement-specific proposals was submitted by developing countries, including the African Group and least developed countries, to strengthen and operationalize special and differential treatment. Three deadlines passed without results. In April 2003, the Chairman of the General Council produced a categorization of 88 "agreement-specific" special and differential treatment proposals as a basis for further consideration by the General Council. The Chairman included 24 of those proposals for adoption in the Cancún ministerial text, Rev.1. At Cancún, in revision 2 to the text, a package of 27 special and differential treatment decisions was proposed. Revision 2 does not specifically identify concrete actions to be taken by WTO negotiating groups and bodies on the other issues, but defines monitoring and reporting arrangements to the General Council. The text also provided that the Committee on Trade and Development in special session was instructed to pursue expeditiously, within the parameters of the Doha mandate, the work on remaining agreement-specific proposals and other outstanding issues, and report with recommendations, as appropriate, to the General Council. Revision 2 did not establish a time frame for the completion of the overall work, but directed that a report on the issues be submitted to the next Conference. The lack of progress on commercially meaningful special and differential treatment was cited as a source of concern by developing countries.

Agriculture

20. Agriculture reform and liberalization, an unfinished business of the Uruguay Round, remains one of the most important issues in the multilateral trade negotiations. Most of the world's farmers live in developing countries and 70 per cent of the worst poverty in the world is in the rural areas of developing countries. Many developing countries specialize in the production of agricultural commodities and are dependent on farming for their food security, rural livelihood and subsistence, as well as export revenue. They have experienced continuously deteriorating terms of trade and mounting trade deficits. Over the past two decades, world agricultural commodities prices have fallen by some 50 per cent,[11] which currently translates into lost agricultural export earnings of over US$ 60 billion annually for developing countries. In most developed countries, high levels of support to agriculture, exceeding US$ 330 billion,[12] encourage overproduction and cause world price levels to fall close to, and even undercut, producer costs in developing countries. Negotiations to liberalize agricultural trade could bring about important gains for developing countries by eliminating the high levels of agricultural support in developed countries and reducing tariff barriers to agricultural trade. Estimates, including those by UNCTAD, point to the high potential for agricultural trade liberalization to contribute to economic development and poverty alleviation in developing countries.[13]

21. The Doha Ministerial Declaration sets the objective for the current round of Agreement on Agriculture[7] negotiations to achieve substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support, while

agreeing that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations to enable developing countries to effectively address their development needs, including food security and rural development. Negotiations concentrated on the three pillars of market access, export competition and domestic support.

22. The Doha work programme agriculture negotiations centred on considerations of which approach should be used for reductions of bound tariff rates, how deep reductions should be, how long the phase-in period should be, and in what ways and which formulas would apply differently to developed and developing countries. In discussions of export subsidies — used almost exclusively by developed countries — many countries are pressing for an elimination of export subsidies, while they also seek to identify safety net measures to alleviate possible transitory impacts on some developing countries from the elimination of export subsidies. Issues surrounding negotiations on domestic support include modalities for reductions in domestic support; criteria for permitted support; and lower support reductions over longer implementation periods for developing countries. Domestic support discussions are the most difficult.

23. In the Cancún ministerial text, Rev.2, both the level of liberalization by developed countries and the development flexibility for developing countries were left to negotiations after Cancún. On market access, the proposal, for developed countries, was to apply the European Community-United States proposed blended formula with a minimum level of overall tariff reductions across all agricultural products; and, for developing countries, to apply also a blended formula with a longer implementation period and without an overall target. Under this draft, tariff capping for developing countries remained under negotiation. Although numbers are not specified, the Group of 22 expressed concern that the formula for developed countries provided flexibilities to not reduce high tariffs by a substantial amount. Moreover, the formula proposed, provided for import-sensitive tariff lines. The Group of 22 has proposed reinforcement of special and differential treatment provisions.

24. On export competition, in respect of both export subsidies and export credits, the proposal was to reduce them but with no specific target numbers or time frame. The proposal for elimination of export subsidies refers only to products of particular interest to developing countries and for a list of such products to be established. For the remaining products, it was provided that export subsidies be reduced with a view to phasing out budgetary and quantity allowances. Most developing countries have expressed concern that there was no unequivocal commitment to eliminate export subsidies.

25. On domestic support, the proposal was that the most trade-distorting payments by developed countries would be reduced. The framework contains a commitment to review "green box" criteria with a view to ensuring that green box measures have no, or at most minimal, trade-distorting effects on production (without reference to capping these measures). Regarding the "blue box", a new extended category of "direct payments" support was proposed, which is capped and subjected to linear reductions. Many developing countries have called for capping the "green box" and eliminating the "blue box". There was more flexibility for developing countries for domestic support reductions.

26. The special safeguard mechanism remained under negotiations, although developing countries proposed that its use be discontinued for developed countries. The special safeguard mechanism for developing countries was included. The special products category, for which tariff reductions would be limited, was also included but neither the products nor the conditions or the selection rule had been defined. It proposed to exempt least developed countries from any reduction commitments, which was welcomed by them. In addition, it was proposed that the particular concerns of recently acceded members be addressed through provisions that could include longer implementation time frames or lower tariff reductions. It was provided that the peace clause, whereby the subsidies given mainly by developed countries during the implementation period would not be challenged, would be extended. The developing countries have pointed out that no such mandate was provided in the Doha Ministerial Declaration and have called for its discontinuance. There was recognition of the key issue of trade preferences and compensation for their erosion as a result of market access liberalization in agriculture. This erosion, as well as such losses as may arise from non-agricultural market access liberalization and overall trade liberalization undertaken as part of the Doha work programme, may be addressed through the initiatives put forward by the International Monetary Fund (IMF) and the World Bank at Cancún.

Market access for non-agricultural products

27. The main focus of non-agricultural market access negotiations has been to find a formula approach to tariff reduction that reduces substantial tariffs on non-agricultural products, while taking into account the needs of developing countries. Members have made various proposals for reductions in countries' tariff rates, with the most ambitious proposing global free trade by 2015. Other approaches include linear cuts and approaches that more significantly cut all of a country's rates to a harmonized international rate. The non-agricultural market access Chairperson proposed a modified formula that requires countries to make greater reductions on tariffs above their average rates and lower reductions on tariffs below their average rates. This proposal also envisaged free trade in a number of sectors said to be of export interest to the developing countries, supplemented by further cuts based on request and offer, sectoral and zero-for-zero negotiations. The non-agricultural market access Chairperson also proposed that all countries be required to increase their coverage of tariff bindings to 95 per cent of tariff lines and 95 per cent of imports.

28. Relative to tariffs, there has been little discussion on non-tariff barriers and how to reduce or eliminate them. These barriers include market-entry barriers, such as rules of origin, technical standards, and health and environmental requirements. Consideration is being given to a four-stage process to identify, examine, categorize and finally, to address non-tariff barriers through negotiations in non-agricultural market access or other relevant WTO bodies. Some special and differential treatment provisions have been proposed and many remain under consideration. In addition to the provision permitting flexibility to shelter a percentage of tariff lines from reductions, other proposed provisions include: longer time periods for tariff reductions; derogations from reduction commitments for least developed countries; best endeavour clauses for developed countries to grant duty and quota-free market access for non-agricultural products originating in least developed countries;

provisions for preference erosion resulting from tariff reductions; and, provisions for developing countries with high tariff revenue dependencies.

29. At Cancún, annex B to the ministerial text, Rev.2 included a framework for establishing modalities in market access, that essentially followed the non-agricultural market access Chairperson's proposals in placing the emphasis on a non-linear formula applied on a line-by-line basis to tariff-cutting, to be supplemented by sectoral tariff elimination on products of export interest to developing countries, and possibly also by zero-for-zero sectoral elimination and request-and-offer negotiations. Many developing countries and their groups have expressed a number of concerns about this approach, apart from its complexity. In particular, they are concerned that the non-linear formula approach would require them to make the greater tariff cuts, contrary to the Doha provision for less-than-full reciprocity, and that this would also entail substantial adjustments in their nascent industrial sectors. They also consider that the sectoral negotiations should be explicitly voluntary for developing countries. Some developing countries that have relatively low binding coverage, mainly in Africa, are concerned that the proposals would mean foregoing the use of tariffs for industrial development purposes and as a significant source of government revenue.

Services

30. Services, which account for over one fifth of total world trade, are an important component of trade for both developed and developing countries. The social dimension of services and universal provision of essential services is of particular importance in relation to access to sensitive sectors, such as financial services, health, education, utilities, transport, cultural and telecommunications services. Policies affecting these sectors have been influenced by considerations of national security, development objectives, and ensuring the widest possible infrastructure for various economic activities and consumer protection.

31. The negotiations on services have been under way in accordance with article XIX (Negotiation of Specific Commitments) of the General Agreement on Trade in Services (GATS) since 2000, and were subsequently incorporated in the Doha work programme. The Doha Ministerial Declaration (para. 15) provides for negotiations on trade in services to be conducted with a view to promoting the economic growth of all trading partners and the development of developing and least developed countries. The Doha work programme provides for initial requests for specific commitments, which were to be submitted by 30 June 2002, and initial offers by 31 March 2003. Bilateral consultations on requests for market access commenced in July 2002. Developed countries were leading the process and developing countries have also made some requests and offers. However, most developing countries are still in the process of identifying their specific sectoral and modal interests, the barriers to their services exports, the impact of requests of developed countries on their services sectors and ways and means of overcoming supply constraints through implementation of GATS article IV.

32. The liberalization of services supply through temporary movement of natural persons (Mode 4) has been identified by developing countries as crucial to the expansion of their exports and poverty reduction. Some have submitted requests on Mode 4 to their trading partners and the latter have made some offers. Most of the initial offers so far submitted, according to developing countries, do not include

substantial commercially meaningful improvements to existing specific commitments in Mode 4. The constraints on cross-border movement of service suppliers are one of the most important asymmetries that need to be addressed by the specific commitments of developed countries.

33. The *Modalities for the Treatment of Autonomous Liberalization*, adopted in March 2003, represented a step forward, although these do not create any legal obligations, nor do they establish any automatic right to credit or recognition. A positive factor is that this includes liberalization undertaken as part of structural adjustments programmes under the aegis of IMF and the World Bank. WTO members agreed on modalities for special treatment for least developed countries in accordance with the provisions of article XIX.3 of GATS. It includes, inter alia, that developed countries shall exercise restraint in seeking commitments from least developed countries; least developed countries shall not be expected to offer full national treatment, nor are they expected to undertake additional commitments under article XVIII of GATS on regulatory issues which may go beyond their institutional, regulatory, and administrative capacities; least developed countries may make commitments which are limited in terms of sectors, modes of supply and scope; and WTO members shall to the extent possible consider undertaking commitments to provide access in Mode 4, taking into account all categories of natural persons identified by least developed countries.

34. Another important area of work relates to article VI.4 disciplines on domestic regulation, on which limited progress has been achieved. Developing countries have asserted that regulatory reform is of key importance to them and have highlighted that the pace of liberalization that a country plans to implement needs to be adjusted so that its supervisory and regulatory capability is not compromised. The deadline for negotiations on an emergency safeguard mechanism was extended to March 2004, owing to insufficient progress. Some developing countries consider that, without such a mechanism, their ability or willingness to make concessions would be limited, given the weakness of their service suppliers. However, some of them do have concerns that such a mechanism may be more amenable to use by developed countries against developing countries in view of the complexity of such a mechanism. On subsidies and government procurement, work has not advanced.

35. Services are particularly important given their role in growth and development of the whole economy, parallelism with other market access negotiations and for the overall balance of negotiations. At Cancún, developing countries indicated their expectations of some progress particularly in terms of multilateral commitments to make commercially significant offers in sectors and modes of supply in interests to developing countries, particularly Mode 4 from developed countries. Effective addressing of the assessment of trade in services and operationalization of GATS articles IV (relating to increasing participation of developing countries in trade in services) and XIX.2 (which provides for flexibility to individual developing country members in the context of progressive liberalization) was also sought.

Trade-related aspects of intellectual property rights

36. The Doha mandate on TRIPS, inter alia, provided for work on the following issues. Regarding transfer of technology from developed countries to the least developed countries, the TRIPS Council adopted in February 2003, a decision on the implementation of this provision, with a view to putting in place a mechanism for

ensuring the monitoring and full implementation of the obligations of this article. The Doha work programme also focuses on the relationship between the TRIPS Agreement and the Convention on Biological Diversity, including the protection of traditional knowledge. Developing countries have a particular interest in the Convention as the vast majority of global biodiversity and traditional knowledge lies within their territories and their preservation is important for development, poverty reduction and competitiveness. There are concerns that the genetic resources and traditional knowledge of developing countries are often used commercially and/or patented in developed countries with little or no benefit to the owners of the genetic resources (i.e., the sovereign States, as per the Convention), or of the traditional knowledge, and without their prior informed consent. It is important for them that a serious effort be made to evolve an enforceable protection regime in this area and that the implementation of provisions such as those relating to sui generis systems for the protection of plant varieties. At Cancún, the second revised ministerial text (CMT Rev.2) called for work to be pursued in accordance with paragraph 19 of the Doha Ministerial Declaration.

37. On geographical indications (place names used to identify the origin and quality, reputation or other characteristics of products), the debate focused on the modalities for the establishment of a multilateral system of registration for the enhanced protection of wines and spirits and the extension of such geographical indications protection given to products other than wines and spirits. The second revised text noted the progress made in the negotiations on the geographical indications multilateral system and instructed the special session of the TRIPS Council to continue work as mandated in paragraph 18 of the Doha Ministerial Declaration, and provided that negotiations be completed by a date to be set. As part of implementation issues, it also provided for review of progress by the General Council on the extension of geographical indications and for taking appropriate action.

Rules-negotiations

38. The Doha Ministerial Declaration mandated the "clarification and improvement" of certain procedures and disciplines and the application of certain trade remedial measures used by members. These pertained to anti-dumping measures, the Agreement on Subsidies and Countervailing Measures, in particular the "fish subsidies" and regional trade agreements. Anti-dumping measures have proliferated over the years. From 1995 to 2001, an average of over 150 measures per year were taken by WTO members. Nearly one half of these were applied against developing countries and anti-dumping measures are increasingly being used by the developing countries. Some developing and developed countries want to tighten the rules for the imposition of such measures. Developing countries have emphasized that improvements of rules are needed to ensure prevention of abusive and excessive anti-dumping measures; clarify and improve rules to avoid burdensome procedures; enhance transparency and predictability of such measures and strengthen special and differential treatment and capacity-building.

39. On subsidies, one proposal is that, while imposing countervailing duty on the products of developing countries, only the difference of what exceeds the de minimis level should be imposed. It has also been proposed to raise the de minimis level for developing countries. Another proposal is that the special and differential treatment provisions need not be changed or expanded and that the basic objective

of the Agreement to prohibit export and import substitution subsidies should prevail. Developed countries have also raised the issue of the extension of the application of non-actionable subsidies (art. 8) that has now expired through article 31 of the Agreement on Subsidies and Countervailing Measures. The Friends of Fish consider fish subsidies as being harmful to the environment and the cause for the depletion of marine life. Another view is that these subsidies are for scientific and infrastructural improvements and, therefore, are non-trade distorting.

40. The discussions in the negotiating group on rules on regional trade agreements has focused on "transparency" in such agreements, the methodology and procedure regarding notifications, definition of terms such as "substantially all trade" and the clarifications of article XXIV of the General Agreement on Tariffs and Trade (GATT), "other restrictive regulations", etc.

Trade and environment

41. The Doha Ministerial Declaration (para. 31) calls for immediate negotiations on (a) the relationship between specific trade obligations in multilateral environmental agreements and existing WTO rules; (b) information exchange between multilateral environmental agreement secretariats and relevant WTO committees; and (c) the reduction and/or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services. Cancún ministerial text, Rev.2 took note of progress made by the special session of the Committee on Trade and Environment Progress and reaffirmed a commitment to those negotiations. The most progress has been made on the issue of regular information exchange between multilateral environmental agreement secretariats and relevant WTO committees.[14]

42. Negotiations on trade liberalization in environmental goods are taking place in the non-agricultural market access group, with the Committee on Trade and Environment Progress playing a role in clarifying concepts. From a policy perspective, relevant questions are (a) whether to grant special treatment to such goods and, if so, in what form; and (b) to which goods special treatment would be granted. So far, negotiations in the non-agricultural market access group have focused on finding agreement on modalities. Environmental goods may eventually be included among sectors identified for further liberalization. Developing countries are net importers of products included in lists of environmental goods circulated thus far. Revision 2 of the Cancún ministerial text encouraged the group to work closely with the Committee, which provided an opportunity to identify products of interest to developing countries.

43. The frequency, stringency and complexity of environmental measures in major export markets of developing countries have been seen as acting as non-tariff barriers. Notification of environmental measures under the Agreement on Technical Barriers to Trade have steadily increased, accounting for about 13 per cent of all notifications. Almost 90 per cent of internationally traded goods are subject to measures taken by Governments for the protection of the environment and human health. Some members stressed that there was sufficient scope in existing WTO agreements to ensure that environmental measures do not unduly restrict exports; the rules of the Agreement on the Application of the Sanitary and Phytosanitary Measures Agreement and the Agreement on Technical Barriers to Trade were referred to in particular. Regarding labelling, most members agreed that voluntary, participatory, market-based and transparent environmental labelling schemes were

potentially efficient economic instruments. However, mandatory eco-labels based on non-product related process and production methods could undermine the competitive advantage of developing countries.

Singapore issues

44. The relationship between trade and investment, the interaction between trade and competition policy, transparency in government procurement and trade facilitation were introduced into the WTO work programme during the First Ministerial Conference of the World Trade Organization, held in Singapore in 1996. Under the Doha Ministerial Declaration (paras. 20-27), these four issues have been given a similar mandate, which provides that "negotiation will take place after the fifth session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations". Proponents of Singapore issues have highlighted the need to commence negotiations on modalities in order to promote greater investment flows, fairer competition, more transparent public procurement and efficient trade-related infrastructure.

45. Many developing countries have indicated the value of transparency in government procurement, more efficient trade facilitation infrastructure, adoption of competition policy and control of anti-competitive practices in international trade and the need to have investment policy frameworks that are conducive to attracting investment and promoting development. They have also adopted national laws and policies with regard to some of those issues and entered into bilateral or regional arrangements. There has been, however, hesitancy in having binding multilateral agreements on those issues lodged in WTO. Many perceive that multilateral agreements on these "behind-the-border" issues will extend the frontiers of the multilateral trading system further into national policy space and to issues not directly affecting trade. At the same time, most developing countries point out that financial and institutional constraints already limit their ability to negotiate and implement any WTO agreements. In addition, to a certain degree, the attitude of developing countries to the Singapore issues has been conditioned by the progress on implementation-related issues, special and differential treatment and agriculture. Furthermore, they would also like to see further clarification on the substance of the issues, in order to understand fully the implications, including costs and benefits for them.

46. Given the lack of consensus on whether and, if so, how to take the Singapore issues forward, the proposal on Singapore issues in revision 1 of the Cancún ministerial text (including in annexes D to G on modalities) provided the option of either beginning negotiations on modalities or continuing the process of studying and clarifying the issues. Regarding the latter, some elements for clarification were proposed by a group of developing countries.[15] There were no suggestions on any intermediate solutions.

47. At Cancún, revision 2 of the ministerial text provided a differentiated approach to the four Singapore issues with negotiations to commence on transparency in government procurement and trade facilitation on the basis of annexed modalities. On investment, it proposed that the clarification process be intensified and that modalities that would allow negotiations on a multilateral investment framework to start be adopted by the General Council by a specific date that would coincide with the date for agreeing on modalities on agriculture and non-agricultural market

access. On competition, revision 2 proposed that further clarification be undertaken, including consideration of possible modalities for negotiations, and that a progress report be provided to the General Council by a specific date that would coincide with the date for agreeing on modalities on agriculture and non-agricultural market access. Learning from the Cancún experience, the future of the Singapore issues in the Doha work programme and the WTO agenda may need to be reviewed in the light of the discussion at Cancún.

Small economies

48. Small economies have called for the mandated work under the Doha work programme to proceed beyond the examination of the particular structural disadvantages and vulnerabilities affecting their participation and integration into the multilateral trading system, to adopting specific recommendations and measures for their beneficial participation in the system.

Transfer of technology

49. WTO ministers decided in Doha to establish a Working Group on Trade and Transfer of Technology and a number of matters have been raised therein. These include the definition of transfer of technology (what constitutes technology, processes and access to technology, channels of transfer); the enabling environment (the absorptive capacities of the host countries, human capital, infrastructure, legal framework and macroeconomic conditions); home and host country policies (policies of both host and home countries to facilitate transfer, past practices, problems faced by host countries); intellectual property rights and transfer of technology (the level of intellectual property rights protection and transfer of technology, whether there was a link, patents acquired by public sector undertakings through public funds); foreign direct investment and transfer of technology (the types of foreign direct investment and actual transfer of technology, linkages between the two, whether state-of-the-art technology or obsolete technology was transferred); WTO agreements and transfer of technology (the relevant provisions in the WTO agreements and their enforceability); and technical assistance, including assistance to least developed countries.

Trade, debt and finance

50. The Doha Ministerial Declaration established a Working Group on Trade, Debt and Finance to examine the relationship between trade, debt and finance and to recommend possible steps, within the mandate of WTO, to enhance capacity of multilateral system and find durable solutions to the problem of external indebtedness. It further sought to strengthen the coherence of international trade and financial policies with a view to safeguarding the multilateral trading system from the effects of financial and monetary instability. Discussions in the Working Group on Trade, Debt and Finance centred on the relationship between trade and finance, the relationship between trade and debt and coherence between international trade and financial policies. While the developing countries are seeking sustainable solutions to their external debt problem, the developed countries see little scope for action within the multilateral trading system itself. Many developing countries indicated that volatility of the markets, price fluctuations, interest rates, exchange rates and conditionalities by the international financial institutions have contributed to their problems. Developing countries underlined the need for policy space to

defend themselves from speculative capital in the trading system. Other countries have advocated that a pro-liberalization approach along with structural and trade policy reforms with transparency would be able to address these issues. Further, strengthening of existing institutions and addressing supply side issues would also help in addressing this concern.

51. On building greater coherence between international organizations, the Working Group on Trade, Debt and Finance deliberated on the possible establishment of facilities to keep trade-finance alive in periods of financial instability and the need for better integrating the work of international organizations in the areas of capacity-building and trade infrastructure. The issues of the liberalization of financial services, the efforts under way in the international financial architecture, as well as the links between WTO and other institutions on long-term, cross-border investments and capital account liberalization were also discussed.

Least developed countries

52. The Cancún ministerial text, Rev.2 acknowledges the seriousness of the concerns of least developed countries as expressed in the Dhaka Declaration adopted in June 2003, and addresses a number of least developed countries' interests. Key issues of concern to them include (a) binding duty-free quota-free market access for all products (agricultural and non-agricultural products) originating from least developed countries; (b) measures to address preference erosion; (c) agriculture where they are demanding exemption from all reduction commitments in the three pillars; and (d) special and differential treatment where they feel proposals that have greater developmental value have yet to be considered. Revision 2 recognized the need to adopt and implement rules of origin so as to facilitate exports from least developed countries. In addition, it noted under coherence the initiative announced by IMF and the World Bank at the Conference to work with WTO to address the problems faced by some developing country members in adjusting to more liberal trade environment. In services negotiations, revision 2 provided for members to give priority to sectors and modes of supply of interest to least developed countries particularly, movement of service providers under Mode 4. Furthermore, the modalities for the special treatment of least developed countries in the negotiations on trade in services was adopted on 4 September 2003. On 19 February 2003, the TRIPS Council adopted a decision on the implementation of article 66.2 of the TRIPS Agreement relating to grant of incentives for transfer of technology to least developed countries.

IV. Regional arrangements and other trade measures[16]

A. Regional arrangements

53. It is estimated that over 40 per cent of world merchandise trade takes place under existing regional and bilateral arrangements, and over 50 per cent of emerging arrangements are taken into account. As at end-December 2002, 259 regional trade agreements have been reported to GATT and WTO.[17] Of these, 176 regional trade agreements are currently in force. An additional 70 regional trade agreements are estimated to be operational, although not yet reported, and 70 are under negotiation.

There has been a burgeoning of regional trade agreements since the formation of WTO. Members of the Association of Southeast Asian Nations (ASEAN) and China signed a framework agreement to begin negotiations in 2003. ASEAN would begin talks with India and Japan on similar arrangements. Japan signed its first free trade agreement with Singapore in 2002 and is now negotiating a number of other similar arrangements. The same year, the African Union replaced the Organization of African Unity and launched the New Partnership for Africa's Development (NEPAD). The European Union has played a major role in concluding economic and regulatory cooperation and agreements, including free trade agreements with Turkey, Mexico, South Africa and Chile. Euro-Mediterranean association agreements have also been concluded or are being negotiated with North African and Middle Eastern countries. In September 2003, the European Union and the African, Caribbean and Pacific Group of States formally launched the second phase of negotiations on economic partnership agreements, which are to be effective in 2008. The United States Trade Promotion Authority Act provides for negotiations on the Free Trade Area of the Americas and on bilateral trade agreements. The United States has concluded bilateral arrangements with Chile and Singapore. Many of the new generation arrangements cover, inter alia, a number of trade-related issues. The United States has indicated its intention to begin negotiations to form free trade agreements with the South African Customs Union, Morocco, Bahrain, Australia, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

B. Other trade measures

54. During December 2002, the European Council approved the enlargement of the membership of the European Union from 15 to 25 countries. A reform of the European Union's Common Agricultural Policy was launched in 2003, which is to make payments conditional, inter alia, on environmental, food safety and animal welfare standards rather than production. The United States Farm Security and Rural Investment Act of 2002, while excluding direct and permanent price support measures, increases planned expenditures for agricultural support to $180 billion over the next 10 years and includes measures that would be triggered by a fall in the price of agricultural commodities. Various security related actions that were taken in major developed markets affected international trade and led to a slowdown in the movement of goods and people, particularly in the tourism sector. An example is the United States Container Security Initiative and the Customs Trade Partnership Against Terrorism, which aims at enhancing security of supply chains, detecting high-risk cargo at ports of origins and setting up new partnerships among customs administrations. In addition, the Public Health Security and Bioterrorism Preparedness and Response Act of 2002 was signed into law.

V. Role of the United Nations Conference on Trade and Development

55. UNCTAD is the focal point within the United Nations for the integrated treatment of trade and development and the interrelated issues in the areas of finance, technology, investment and sustainable development.[18] As such, UNCTAD acts as a facilitator for the beneficial and fuller integration of developing countries into the multilateral and wider international trading system. UNCTAD has been

working with regional commissions and other agencies of the United Nations system to carry out its mandate. UNCTAD provides a forum for developing and developed countries to meet, discuss and evolve, on a regular basis, an integrated and strategic view of trade and development issues in all their dimensions and within the context of the larger international trading system – be it multilateral, regional or bilateral. UNCTAD helps in clarifying issues and building consensus with its research, policy analysis, and intergovernmental deliberations in such areas as services, market access, commodities, WTO accession, trade preferences, trade and environment, the special situation and concern of least developed countries and small economies, trade and investment, trade and competition policy and trade facilitation.

56. Over many years, and with financial support from bilateral donors and the United Nations Development Programme (UNDP), UNCTAD has delivered technical assistance and capacity-building activities to strengthen domestic policy, institution and human resources capacities of developing countries to develop trade policies, engage in trade negotiations, use the dispute settlement mechanism, and accede to WTO, as have Cambodia and Nepal. It has developed a number of analytical tools such as the World Integrated Trade Solution (WITS), the Trade Analysis and Information System (TRAINS) and the Agriculture Trade Policy Simulation Model (ATPSM). At their request, UNCTAD assisted countries or groups of countries in their preparatory processes for the Cancún Conference. UNCTAD cooperates closely with WTO in delivering trade-related technical assistance and, together with the International Trade Centre and WTO, implements the second phase of the Joint Integrated Technical Assistance Programme and is an active partner with five agencies (IMF, World Bank, ITC, WTO, UNDP) in implementing the IF for the trade-related capacity-building for LDCs. UNCTAD cooperates with regional commissions and other international organizations in delivering technical assistance and capacity-building.

57. The ninth session of UNCTAD, to be held in São Paulo, Brazil, in June 2004, and the preparations for it could contribute to reinforcing confidence in the multilateral trading system and among different trading partners and member States. The agenda that has been adopted for the Conference dwells on enhancing coherence between national development strategies and global economic processes towards economic growth and development, particularly of developing countries. The agenda has four sub-items, one of which covers assuring development gains from the international trading system and trade negotiations. The UNCTAD XI process could contribute positively to a balanced progress in the Doha work programme.

VI. Development benchmarks

58. Some critical development benchmarks can be highlighted against which an assessment of progress in mainstreaming development into WTO can be undertaken.

Openness and liberalization

59. Liberalization can remove distortions and generate efficiency and welfare gains in the immediate, medium and long term for all countries. Liberalization, however, has to be looked at in a holistic manner. The pace, sequencing and the relative ability of countries to absorb the costs and dislocation arising from

liberalization have to be factored in to effectively realize development gains. For developing countries, in order to capture the benefits of liberalization, support mechanisms that go beyond traditional technical cooperation directed at implementing WTO agreements and encompassing social safety nets, adjustment support, infrastructure investment, institution-building etc., need to be in place to help to lift their supply capacity and to cope with adjustment difficulties and costs.

Harvesting the gains

60. The multilateral trading system, through trade liberalization, can generate many gains for all countries. Harvesting these gains will give developing countries the much needed confidence in the ability of the system to deliver development. A firm commitment to carry forward the Doha mandate through expeditious and time-bound reduction, capping, disciplining and elimination of trade distorting domestic support, export subsidies and tariff and non-tariff market access barriers in agriculture alone, is expected to deliver production, export, income and welfare gains for developing countries to between US$ 10 billion to $40 billion per annum, the latter being almost equal to the total development assistance provided to them at present. UNCTAD[19] estimates also indicate that the welfare gains from liberalization of all sectors for developed countries themselves could be as high as $140 billion per annum.[20]

61. It has been estimated that the potential gains to developing countries in non-agricultural market access negotiations are similar to those in agriculture, if the bias of tariff protection against developing country products and tariff peaks and escalation are removed and various market entry barriers and non-tariff barriers, such as standards and regulations — SPS, trade barrier tariffs and environmental (both Government and voluntary) — complex rules of origin criteria, and anti-competitive market structures and practices are also addressed. Development-oriented market access negotiations would promote and support successful diversification especially by commodity dependent developing countries and least developed countries. However, attention needs to be paid to least developed countries and other developing countries which, facing the important loss of preferences and tariff revenue, would experience difficulties in adjusting to MFN liberalization.

62. A key to the gains in non-agricultural market access is freeing textile trade under the Agreement on Textile and Clothing in 2005 as mandated; for developing countries, this could generate income gains of $24 billion per year, export revenue gains of $40 billion and employment generation of about 27 million jobs.[21] The efficiency and welfare gains to the importing developed countries themselves could be as high, for example, as US$ 18 billion in the United States[22] and €25 billion in the European Union per annum.[23] In services, progressive liberalization and increasing participation of developing countries in international trade in services, particularly of temporary movement of natural persons to supply services (Mode 4) to OECD markets, will bring benefits to all countries. An increase in developed countries' quotas on the inward movement of both skilled and unskilled temporary workers equivalent to 3 per cent of their workforces would result in estimated welfare gains for all countries of about $150 billion per annum.[24]

Equal opportunity for unequal partners

63. Equitable rules and their fair application are the ultimate protection of the weaker trading nations. This is a key purpose of the multilateral trading system. From this standpoint, the principle of special and differential treatment is meant to factor in structural and emerging asymmetries between the developed and developing countries, which justifies more favourable treatment to developing countries if they are to be given an equal opportunity to compete in international markets. These disparities include those in per capita income; supply capacities; size, market power and scope of their industries and enterprises; capital and technological edge; ability to subsidize agriculture, industry, services and research and development; and availability and costs of economic, trade-related and financial infrastructures. These asymmetries need to be addressed in all existing agreements and any new agreements envisaged need to be pegged such that the rules fully accommodate the developmental, financial and trade needs of developing countries and provide them sufficient policy space. Traditional means of developmental flexibility such as transition periods and permitted derogations need to be combined with special considerations and meaningful preferential treatment by developed countries.

Striving for a better balance

64. The Doha work programme is also about balance — balance between the legacy of rights and obligations, costs and benefits from the previous round and those from the work programme; balance of loss and gain within each area and in overall terms; balance in the processes, selection of issues, sequencing and time lines and the levels of ambition and of outcome. Rebalancing would involve dealing purposefully with implementation issues. Care also needs to be taken not to give rise to new imbalances, even as the previous ones are in the process of being rectified. Balance requires that trade-offs lead to positive sum outcomes for all parties, particularly for developing countries. Transparency and increased participation of developing countries in the complex decision-making processes is another imperative. Accelerated and facilitated accession of developing countries on terms commensurate with their level of development continues to be a key priority. The accession of Cambodia and Nepal to WTO, the first two least developed countries to do so, is an important step towards the universality of the organization. For other least developed countries in the accession process, the faithful implementation of the decision on guidelines for their accession is called for.

Serving public interest

65. The United Nations Millennium Declaration (General Assembly resolution 55/2) commits the international community to making the right to development a reality for everyone and resolves to create an environment at national and global levels conducive to development and to the elimination of poverty. The common good, public interest and impact on, and ways to help the poor should be the guiding light of a development-oriented multilateral trading system. Efforts must be made to ensure that the system is sensitive and responsive to the key issues facing developing countries, including eradication of poverty, fighting infectious diseases and epidemics and ensuring provision of basic social services to the poor and the underprivileged. The TRIPS and public health declaration at Doha and the recently

adopted Decision was a breakthrough, in that it recognized that trade is not value neutral and that public interest must be a priority.

Revitalizing the commodities sector

66. Raising the profile of commodities in the multilateral and wider international trade and development cooperation agenda and evolving supportive international environment for commodity dependent developing countries is long overdue. Some 50 countries depend on just two or three commodity exports and 39 of them on exports of single commodities. In order to reach the Millennium Development Goals on poverty reduction, these countries need to achieve a strong revival of their commodity sectors and higher value realization from their exports.

Coherence

67. Key to the development orientation of the Doha work programme is the degree of coherence that can be brought to bear among the different areas of negotiations and disciplines, between the different multilateral institutions and policies and between these and regional and national processes and strategies. There are three aspects which need to be constantly monitored and complementarities ensured, namely: (a) need for synergy and proper sequencing between the capacities of the developing countries, the level of obligations imposed, cost of implementation and the adequacy of financial and technical resources made available to them; (b) positive linkages between trade, financial, monetary, technology policies of developed countries and the success of developing countries' trade liberalization and their reaping development gains; and (c) implications of the multilateral trade negotiations and the multilateral trading system on a number of issues that occupy a crucial role in development namely poverty elimination, employment, food security and rural development, environment, health, culture, gender, migration, competition, technology and enterprise development.

Technical assistance and capacity-building

68. Trade-related technical assistance and capacity-building for developing countries is a critical aspect of the development dimension of the multilateral trading system. It is essential in assuring effective and quality participation by developing countries in the trade negotiations. It is also important in meeting capacity-building requirements for institutional and legislative changes arising from the implementation of WTO agreements, and for policy adjustments to take advantage of the opportunities created. In this light, there is greater need for the international community to provide the necessary financial support to UNCTAD and other agencies, so as to effectively meet on a sustained basis, the growing needs of developing countries for need-based, targeted and demand-driven technical assistance.

VII. Conclusions

69. All countries have shared interests in the success of the Doha work programme and the realization of its core development agenda. If effectively pursued and implemented, the work programme could put in place important elements for achieving the Millennium Declaration Goal, reiterated in the

Monterrey Consensus and the World Summit on Sustainable Development, of "an open, equitable, rule-based, predictable and non-discriminatory multilateral trading ... system". It is clear that a systematic effort and considerable political will is needed to deliver on the "Development Agenda" of Doha. Progress in mainstreaming development into WTO can be assessed against a number of "benchmarks for development". In this process, UNCTAD can play an important role in contributing to awareness and consensus-building on multilateral trading system issues and the development implications.

Notes

[1] See, in particular, the note by the UNCTAD secretariat entitled "Review of developments and issues in the post-Doha work programme of particular concern to developing countries: the outcome of the Fifth WTO Ministerial Conference", TD/B/50/8.

[2] See UNCTAD, *Trade and Development Report, 2003*.

[3] World Trade Organization, *World Trade Report 2003*.

[4] UNCTAD, *Handbook of Statistics, 2002*.

[5] The mini-Ministerial meeting of selected countries held in Montreal, Sydney, Sharm El Sheik and Tokyo. Several regional and subregional meetings of developing countries at the ministerial level, such as least developed countries, the African, Caribbean and Pacific Group of States, Arab States and the African Union. In addition, a declaration was issued by the Group of 77.

[6] After the formation of the Cairns Group in the 1980s, the creation of the Group of 22 represents a major development.

[7] See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).

[8] These issues include (a) the implementation by developed countries of their trade commitments and obligations; (b) imbalances in rights and obligations contained in the WTO Agreements; (c) lack of realization of expected benefits arising from the WTO Agreements, for example in agriculture and textiles and clothing; (d) effective operationalization of provisions on special and differential treatment; and (e) difficulties in the implementation of commitments and obligations by developing countries and their need for flexibility.

[9] A/C.2/56/7, annex.

[10] WT/MIN(01)17. Available on the Internet at http://docsonline.wto.org.

[11] UNCTAD, *Handbook of Statistics*.

[12] Organisation for Economic Cooperation and Development, *Agricultural Policies in OECD countries: Monitoring and Evaluation*, Paris, OECD, 2002.

[13] Simulations completed by UNCTAD show that agricultural trade liberalization could result in static gains to developing countries of about US$ 10 billion annually.

[14] The Committee on Trade and Environment Progress has been inviting the secretariats of certain multilateral environmental agreements, the United Nations Environment Programme and UNCTAD to participate in its meetings as observers. In revision 2 of the Cancún ministerial text, this invitation would be "for the duration of the negotiations", rather than on an ad hoc basis.

[15] See WTO documents WT/GC/W/513 and WT/GC/W/514 and Corr.1.

[16] Department of Economic and Social Affairs and UNCTAD, *World Economic Situations and Prospects 2003*.

[17] WTO, *World Trade Report 2003*.

[18] See also "Preparations for UNCTAD XI" (TD(XI)/PC/1).

[19] UNCTAD estimations and Kym Anderson "How can agricultural trade reform reduce poverty?" (report forthcoming).

[20] Kym Anderson, "How can agricultural trade reform reduce poverty?" (UNCTAD report forthcoming).

[21] International Monetary Fund and the World Bank, "Market access for developing country exports — Selected issues", 26 September 2002, pp. 42-43.

[22] World Bank, "World Development Report 1987", p. 150.

[23] Joseph F. Francois, Hans H. Glismann, and Dean Spinanger, "The Cost of EU Trade Protection in Textiles and Clothing", Working Paper No. 997, August 2000, Kiel Institute of World Economics, p. 67.

[24] L. Alan Winters, Terrie L Walmsley, Zhen Kun Wang and Roman Grynberg, March 2002 "Negotiating the Liberalization of the Temporary Movement of Natural Persons".